

REPORT  
TO THE  
GOVERNMENT OF SASKATCHEWAN  
ON  
WHEAT MARKETING

BY  
*JAMES STEWART and F. W. RIDDELL*

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PUBLISHED BY AUTHORITY OF THE PRESIDENT IN COUNCIL

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J. W. REID, King's Printer  
1921



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## **PREMIER'S LETTER**

Copy of letter addressed by Hon. W. M. Martin, Premier of Saskatchewan, to Mr. James Stewart, Winnipeg, Manitoba, and to Mr. F. W. Riddell, Regina, Saskatchewan.

REGINA, March 19, 1921.

Dear Sir:—

With further reference to our correspondence and interviews in regard to the question of the marketing of wheat on which subject you are advising the Government of Saskatchewan, I desire to direct your attention to the following specific questions upon which the Government especially desires information and advice:

1. Is it possible for any kind of pool comprising less than the whole of the Western wheat crop to market the crop to the same advantage from the producers' point of view as a system of national marketing of the whole crop by a Canadian Wheat Board?
2. What advantages to the producer over the present marketing system would there be in any kind of pool which comprises only a portion of the crop?
3. Are such advantages, if any, sufficiently certain to justify producers entering into long-term pooling contracts?
4. To what extent would such long-term contracts provide a safe selling basis for the pool prior to the actual delivery of the wheat?
5. How could a long-term contract pool operating over the whole West be sure of sufficient financial backing to enable it to hold enough wheat off the market in times of glut to ensure reasonable stabilisation of prices?
6. Would it be wise, from the producers' point of view, to embark on a full-scale system of long-term contract pooling at once or to conduct instead one or more large-scale experiments of a voluntary character?
7. If your answer to Question 6 is favourable to a full-scale system of long-term contract pooling operating over the whole West, can you recommend the best means of co-operation on the part of the Government of the Province in order to attain the best results for the producers, always having regard to our constitutional limitations?
8. If your answer to Question 6 is favourable to large-scale experiments of a voluntary character, can you recommend the form such experiments should take in this Province, the principles upon which it should operate, the general scheme of operation, and also what assistance, if any, is required from the Government of Saskatchewan either by way of legislation or finance?

I have set forth in detail the above questions because they appear to offer the fullest opportunity of an orderly discussion of the very important subject involved. I do not intend, however, that the questions set forth should in any way be regarded by you as limiting your report, for it is our desire to procure the very fullest information on all phases of the wheat marketing question. In seeking your advice we have in mind two objects: First, to procure accurate information of an educational character for the people of the Province generally; and, second, to ascertain what assistance the Government of this Province is capable of rendering in connection with the marketing of grain.

Yours truly,

(Signed) W. M. MARTIN.

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### STEWART-RIDDELL REPLY

WINNIPEG, MAN., May 3, 1921.

THE HONOURABLE W. M. MARTIN,  
Premier of Saskatchewan,  
Parliament Buildings,  
Regina, Saskatchewan.

Sir:—

The report which the undersigned now submit to the Government of Saskatchewan is designed to meet the two objects defined in your letter of instruction of March 19, viz., first, to procure accurate information of an educational character for the people of the Province generally; and, second, to ascertain what assistance the Government of your Province is capable of rendering in connection with the marketing of wheat.

The eight questions directed to us in your letter form the basis of the report. In addition, however, we have included, by way of introduction, a brief outline of the conditions under which the farmer markets his grain in Western Canada at the present time.

If further information is desired, by way of elaboration of any of the points which we have raised in answering the questions placed before us, we are entirely at your service, and will be pleased to give further attention to these questions if you so desire.

We have the honour to be, Sir,

Your obedient servants,

(Signed) JAMES STEWART,

F. W. RIDDELL.

## **Outline of Present Wheat Marketing System.**

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In view of the fact that the eight questions which have been asked by the Government of Saskatchewan contemplate certain changes in the present system of marketing wheat, it would not be out of place in a report of this kind briefly to outline and describe the principal features of that system.

### **The Canada Grain Act.**

The grain business, as it is conducted at present in Canada, has taken shape under the provisions of *The Canada Grain Act*. According to this Act, only three types of grain dealers are entitled to handle grain. They are defined as follows: (1) Merchant, (2) Warehouseman, and (3) Agent or Commission man. Each of these three departments of the grain trade is distinguished from the other by clearly defined legal obligations under *The Canada Grain Act*. The merchant represents the primary grain dealer, the track buyer and the country elevator where the grain is bought outright. The warehouseman represents the terminal elevator, and the country elevator in their capacity as purely storage houses. Finally the agent represents the broker and commission merchant. For example, a commission merchant, in addition to doing a brokerage business on the exchange, very often operates as a track buyer of grain. The country elevator very frequently fills the triple role of merchant, warehouseman and commission agent. For the protection of the farmer, all of the foregoing must be licensed by, and must furnish bonds to, the Board of Grain Commissioners for Canada, before they can commence operations each season. In the actual practice of the trade the different types of grain dealer overlap each other, in that any individual, firm or corporation may obtain licenses from the Board of Grain Commissioners to perform each of the foregoing functions. Notwithstanding this, however, each transaction can be traced from its original source and properly classified.

### **The Winnipeg Grain Exchange.**

The fact is, however, that the farmer when he sends his grain to market deals with one or other of these three types. The Winnipeg Grain Exchange, in so far as the grain producers of Western Canada are concerned, is the centralised home of all the different representatives of the three departments of the trade that have been outlined. The Exchange is merely an association of grain dealers. The Exchange itself never buys or sells any grain; it simply provides a meeting place for dealers—buyers and sellers—and establishes regulations governing the making and performance of contracts. The prices at which these dealers on the Exchange make contracts are the established quotations on that market. The quotations fluctuate constantly according to the supply of, and demand for, the farmers' wheat, and also according to conditions of transportation and finance. The sellers on the Winnipeg Grain Exchange represent the elevator companies, including the two farmers' companies, and commission merchants, all of whom act on behalf of the producer. The buyers at Winnipeg are represented mainly by the Canadian millers and export dealers, who sell to the millers of Great Britain and Europe either direct or through dealers on other exchanges.

### **Fort William and Port Arthur Markets.**

While the actual market for Western Canadian grain is in Winnipeg, the point of delivery for wheat, and hence the point upon which prices are based, is at the Head of the Great Lakes, at Fort William and Port Arthur. Because of the long four hundred mile tract of unproductive territory which lies between the fertile Prairies and the Head of Lake Superior, and because of the natural trading instinct which brings the buyer as close as possible to the field of the seller, we have in Canada a thoroughly unique situation—where a large primary public market for wheat is located at a distance of four hundred miles from the warehouses or elevators where finally the wheat itself must be stored for delivery on sales. This distance between Winnipeg and Fort William and Port Arthur, moreover, increases the importance of transportation as a factor in influencing the price of wheat.

### **Establishment of Prices.**

Ordinarily Canada's big market for wheat is in Great Britain and Europe. The United States during the past season, owing to peculiar circumstances, was also an important market for Western Canadian wheat. Generally speaking, and on the basis of the free operation of the law of supply and demand for wheat, the prices paid for wheat on the Winnipeg Exchange are dependent upon the prices paid by consumers abroad and in the United States. The values on the foreign markets, less cost of transportation, insurance, expenses of, and profits to, our dealers, determine the prices of wheat in storage at Fort William and Port Arthur, which are the prices quoted at Winnipeg. Further, deducting from prices on the Winnipeg Exchange, country elevator charges, cost of transportation from country elevators to Fort William and Port Arthur, expenses and margin of profit to the Winnipeg dealer, the prices payable at any country point may be arrived at.

The proximity of wheat to the ultimate consumer of it, really determines its value. Wheat in store in a country elevator has no commercial value, except as it may be shipped for consumption. Wheat actually in store at the Head of the Lakes, and ready for immediate shipment to the consumer, is known as "spot" wheat, and naturally commands the highest commercial value; this is the "cash" price quoted on the Winnipeg Grain Exchange. Wheat loaded in a car at a country elevator will only command the price obtainable for wheat in store in Fort William at the time when the car can be reasonably expected to arrive at the terminal elevator at Fort William. Ordinarily, by subtracting the commission for selling this wheat on the Winnipeg Exchange, the "track" price quoted in the country for grain loaded in cars is established. Wheat in store in a country elevator can only command such price as it will be worth when loaded into cars, shipped to, and delivered at, the terminal elevators at the Head of the Lakes. This future value, less freight and a margin for commission, expenses and profit, and the element of risk in loss of grade on lower grades of wheat, constitutes the "street" price quoted by country elevators for wheat by the wagon load. The longer the time required to transport the wheat to the terminal market at Fort William or Port Arthur, the less can the country elevators usually pay for it. This is because allowance must always be made for the cost of carrying wheat until delivery at the terminal can be made, and because market values frequently are lower for delayed deliveries.



Sometimes "spot" wheat commands a high premium over wheat in transit. This has been the case in a remarkable degree during the past season. In former seasons this has been due usually to congestion of transportation facilities, and premiums under these conditions have usually been highest at the time of the close of navigation. During the past season, however, the high premiums have not been due so much to congestion of transportation facilities as to the fact that farmers have withheld their wheat from the market. Thus frequently the "cash" value of wheat may be considerably higher than the "track" value, which in turn will be still higher than the "street" value. This shows briefly how the price of wheat in these positions is determined.

### **The Farmers' Position.**

The farmer can market his wheat today in one of several different ways. First, he can sell it outright to a country elevator or a miller at his own country point. Secondly, he can store it for sale at some future date, and receive in return a storage ticket, certifying the weight of the wheat, and specifying or not, as the farmer desires, the grade of the wheat. Thirdly, a farmer can forward a carload consignment of wheat to a commission agent who undertakes to sell as the owner directs. Fourthly, the farmer can sell his wheat, even although it is still in his granary, to the primary grain dealer, by contract to deliver the wheat immediately, or at some future date in cars on track, at his shipping point. Fifthly, he can load his wheat in cars at a shipping point and then sell to a track buyer, the farmer taking the risk of grade and weight, the price being fixed basis a certain grade in store Fort William at the time the transaction is entered into.

The first method is employed usually by the smaller farmers, who sell their wheat by the wagon load, while the other methods are adopted by farmers who have larger consignments to offer. In each case the price received by the farmer is determined by consideration of the different factors referred to in preceding paragraphs.

### **Country and Terminal Elevators.**

In referring to the services of elevators in the process of marketing the farmers' crop distinction between the country elevator and the public terminal elevator should be emphasised. The public terminal elevator is restricted by law from doing any other kind of business than purely a warehousing business. It receives, weighs, cleans, stores and ships wheat which has been inspected and set on its tracks by the railway company. These services are performed entirely for others, the law prohibiting it from owning or dealing in wheat for its own account. The most important terminal elevators are situated at Fort William and Port Arthur. The interior storage elevators located at Calgary, Saskatoon and Moose Jaw, under the present system of marketing wheat, have never been utilised to the same extent as those located at the Head of the Lakes.

On the other hand, if country elevators depended entirely upon storage business for revenue, they would not make commercial profits. Practically all country elevator companies are grain merchants as well as warehousemen. The merchandising of the grain, therefore, provides the element of profit necessary to successful undertaking of a line of country elevators. Also, if country elevators had to depend

exclusively upon their merchandising operations for their revenue they would undoubtedly find themselves financially embarrassed at the end of the season. To carry on successful business the country elevator company must exercise both functions, that of storage house and of merchandising the grain, endeavouring at all times to attract as much grain to their bins as possible.

### **Problem of Financing.**

Before the war it cost from \$6,000.00 to \$7,000.00 to build a country elevator with a capacity of 30,000 bushels. Today the same elevator would cost upward of \$11,000.00. With wheat worth, at country points, \$1.00 per bushel it would require \$30,000.00 to pay for enough wheat to fill one of these elevators. The aim of the elevator owner is to fill and empty it as often as possible during the season. Therefore, if the elevator owner were required to finance the operations of his elevator himself, he would have to be in a position to maintain a large and convenient fund of money. On account of the large volume of grain handled through the trade of each year it is impossible to secure enough funds to finance the movement of the grain from Western Canada to market in this way. In this work of financing the Canadian banks perform their particular function in the process of marketing the farmers' wheat. Through lines of credit with the banks each department of the grain trade endeavours to conduct its operations and to conduct them so rapidly that their business resolves itself into a series of turnovers during the crop season. The average western crop requires approximately \$100,000,000.00 of credit with the banks to ensure its movement. This money is loaned to elevator companies, commission merchants and track buyers, each of whom, as we have shown, performs his own particular work in moving the crop. Even with the large amount of money provided by the banks there would not be nearly enough if the wheat were allowed to accumulate. When the movement of the wheat has once begun, and the use of financial credit becomes extensive, the vital problem in the mind of the "trade" is to keep the wheat moving as rapidly as possible, so as to maintain credits with the banks on a strong basis.

Upon the grain dealers and the transportation companies, the banks depend for the task of taking wheat out of the farmers' hands, and either placing it actually on the market, or in a position where it may be put on the market at any time. Naturally, various factors come into play affecting the amount of credit available for handling the crop. The necessities of convenient financing under the open market have brought about a division of the grain business into four parts.

### **How Business is Divided.**

In getting wheat to destinations in the domestic, market or in foreign markets, the business is divided as follows: (1) From the farmer to Fort William; (2) from Fort William to the seaboard, or to the domestic market; (3) from the seaboard to foreign grain exchanges; (4) from foreign exchanges to the foreign millers.

The reason for this division is to minimise the amount of risk involved in moving the crop, and thus to secure the best possible terms of credit from the banks.

The various features of the grain trade which have been referred to have been developed under the system of open markets now in existence. At the present time all the forces of the market seem to be directed towards getting the wheat out of the farmers' hands and rushing it on the market within as short a period as possible following the completion of harvesting operations. Broadly speaking, both transportation and banking interests exert all the weight of their influence to this end, because under the existing conditions of competition their interests cannot adequately be protected in any other way.

On the other hand, the machinery that has been developed through years of practice into a most efficient institution for the marketing of grain, will have to be used by any form of pooling organisation short of an enforced pool such as that created under the Canadian Wheat Board. For this reason, if for nothing else, a close examination of the machinery of the present marketing system is worthy of the attention of any government or group of people who contemplate the creation of a pooling organisation which would have for its object a larger measure of economy in transferring wheat from producer to consumer.

### Answers to Questionnaire.

The questions which have been asked by the Government of Saskatchewan naturally resolve our answers into the consideration of two main subjects. Under question one the subject of complete control of the marketing of the Western wheat crop by the State may be considered almost as a separate and distinct part of the report. Consideration of this first question enables us to show that national control, through such an agency as the Canadian Wheat Board, would give advantages to the producer in the marketing of his wheat crop, that could not be secured in a similar degree in any other form of centralised control. The discussion of question number one must necessarily be on more or less of an academic basis, for the reason that only by means of federal legislation could an agency, similar to the Canadian Wheat Board, be established. This, again, would depend upon the measure of public opinion throughout the Dominion which would be in favour of such a project.

The other main subject is approached in our consideration of question number two, which deals with the possibility of establishing a pooling agency based upon legal contract or voluntary effort. The remaining questions simply develop other phases of the main subject which is introduced in question number two. And to state our general conclusion at the outset, we are of the opinion that a pooling agency based upon voluntary effort is preferable to one developed on the basis of a legal contract.

*Question 1.—Is it possible for any kind of pool comprising less than the whole of the Western wheat crop to market the crop to the same advantage from the producers' point of view as a system of national marketing of the whole crop by a Canadian Wheat Board?*

Answer.—Briefly, the answer to this question would be "No." The reasons for this negative reply may be expressed under three headings, as follows:

- (1) Competitive selling.
- (2) Movement of wheat.
- (3) Costs of transportation and finance.

(1) *Competitive selling*—The operations of the Canadian Wheat Board, in the handling of the crop of 1919, were conducted under conditions which eliminated competitive selling within the Dominion of Canada. The flow of wheat to the markets of the world, including our own domestic market, were regulated with one view only, and that was to secure the best possible price, consistent with serving the national interest. A pool, comprising only a portion of the wheat crop, would naturally find itself selling in competition with the remaining portion of that crop. It is presumed that this remaining portion of the crop would be handled by the existing channels of the "trade," and, therefore, to a certain extent, prices would be influenced by sales of wheat not included in the pooling arrangement. Broadly speaking, two classes of owners of wheat not belonging to the pool would exist. The first, the country elevator companies, who would own all the wheat they had purchased on "street" or "track," representing a large portion of the total. The second class of owners would be represented by individual farmers in possession of wheat shipped on consignment.

### **Country Elevator Companies.**

The country elevator companies make their street purchases on the basis of the value of delivery at some future date, which value is reflected in the daily quotations for "futures." In this process of buying there can be no incentive towards raising the prices of "futures." The interest of the elevator companies is to buy on a basis on which they can re-sell the wheat with a margin of profit. Generally speaking, the upward or downward trend of prices on the market does not affect them financially, because they adjust their "street" prices to correspond with the changes in the market.

With regard to farmers' wheat shipped on consignment and sold by commission merchants no concerted effort can be made to influence the market, because the farmers individually determine when the sale of their wheat shall be made. The commission agent merely carries out the instructions which the farmer gives to him.

### **Competitive Selling System.**

The result of selling by either of these two methods is that wheat is daily offered for sale in quantities which reveal a lack of correspondence between actual supply and demand. During the early months of the season, when a large volume of wheat is offered for sale, there is a natural decline in prices. This system of competitive selling permits of no intelligent regulation of supplies of either the farmers' wheat or that owned by the elevator companies. To the extent, therefore, that the marketing of wheat outside the limits of the pool is continued, on this basis, the marketing of the wheat within the pool would be affected detrimentally. Therefore the object of the pool, which would be the stabilisation of prices by a more even distribution of supplies, would be adversely influenced.

There is hardly a favourable basis of comparison between the advantages accruing to the producer of wheat through a pool under national control, and any other form of pool attempting to control an unknown portion of the crop in competition with the balance of the

crop in an open market. It is perfectly obvious that under a system of national control, where only one seller exists, and buyers are numerous, the advantage in trading is with the seller.

(2) *Movement of wheat*—Under national control wheat would be moved from country points in direct proportion to the demand for it. Attention, moreover, could be concentrated upon the task of moving wheat from certain areas, where conditions might make such concentration desirable. For example, the wheat in certain territories might be subject to deterioration as the result of its condition when harvested. Or, again, the railway service on some lines might be much more inefficient than on other lines, resulting in congestion, if not obviated. Also, when necessary, concentration of effort could be directed towards the movement of the wheat to terminal elevators at the Head of the Lakes. This would be advisable in certain seasons, and under certain conditions, as, for example, to relieve pressure upon country elevators, or to bring about a more economic distribution of the wheat throughout the entire Dominion.

### **Greater Economy in Transportation.**

The whole matter of transportation—both lake and rail—would be closely related to a pool operated under national control. It would be possible to make efficient use of railway equipment throughout the whole Dominion in the movement of wheat. Similarly, economy could be developed in the loading of wheat from terminal elevators on lake boats. With the acceleration of the movement of wheat at the Head of the Lakes, for instance, improvement would develop all along the lines of transportation in Canada, with the important result that traffic would have a far greater tendency than it has at present to keep within Dominion routes.

What has been said concerning the natural advantage of a national pool over other systems of marketing, through its ability to eliminate competitive selling, might also be said with equal force in regard to the ability of such a pool to influence the whole problem of transportation by rail and water.

(3) *Costs of Transportation and Finance.*—With the advantages outlined under the two previous headings, a pooling organisation such as we have in mind would naturally be able to secure lower costs of transportation and finance than now exist, or would exist under a partial pool. In the matter of costs of transportation—both lake and rail—better rates inevitably would result under complete control of marketing than would be possible under a system involving competition. Really, the only material interest that competitors have in the matter of transportation rates is to see that they can make terms as favourable as can their fellow competitors. So long as no discrimination exists in favour of any of them they accept standards which may be established by the transportation companies. An agency similar to the Canadian Wheat Board at least would exercise an influence over transportation rates, and thus ensure a minimum of cost in this department. The same principle would apply to other disbursements where fixed rates exist, such as insurance, handling tariffs, etc. Again, under the present system, the tendency is perhaps to accept charges for such services without question, rather than to seek to influence the regulation of these charges in the interests of producers or consumers.

Also the banks would be able to give better terms to an authoritative body, such as the Canadian Wheat Board, because the element of risk would be virtually eliminated.

*Question 2.—What advantages to the producer over the present marketing system would there be in any kind of pool which comprises only a portion of the crop?*

Answer—As might be concluded from the answer to question one, the pooling system which would have the greatest chance of success would be one similar to that created by the Canadian Wheat Board. The nearer any pooling system can approach that ideal the more efficient it would be. It follows, therefore, that any form of pool controlling less than one hundred per cent. of the crop falls short of that system enforced by the Canadian Wheat Board. The word “enforced” is used advisedly.

### **Numerous Pooling Systems.**

Numerous pooling systems can be suggested; their number is almost unlimited. We think it advisable to enumerate and discuss some of them for the purpose of elucidating our observations in the previous paragraph.

#### **Pooling of Freights.**

For example, take the pooling of freights. This would amount to the equalisation of freight rates over the whole territory served by the pool. As we are dealing with a commodity which is marketed outside of the area of the pool, the suggestion of pooling freight rates under present circumstances cannot be considered seriously.

#### **Pooling on Basis of Location.**

Take also pooling on the basis of location. Some farmers have better transportation facilities than other farmers have. This difference in facilities gives some farmers a material advantage in point of location over many others whose distance from a common market is considerably greater. An acute illustration of this may be found in the service which has been given on lines of the Canadian Pacific Railway compared to that given on lines of the Canadian National Railway, during the past season. Similar differences exist between farmers located on main lines of railway and those located on branch lines of railway, even though both may be within the same mileage distance from the market. The object of establishing pools on the basis of location would be to enable all those whose proximity to market was equally advantageous to receive a fair return from that advantage in the marketing of their wheat. By this arrangement the place of farmers, who had secured for themselves favourable locations, would be recognised. Others less favourably situated would pool with those in the same position as regards access to market. This type of pool is really a “time” pool, inasmuch as the advantage of location would be determined by the time of delivery.

#### **Pooling of Grades.**

Finally, consideration might be given to the pooling of grades. This plan would involve an equal return per bushel to each producer, regardless of grade, the only differential being the freight charge. This would mean simply the average price for all wheat. Under this system of pooling there would be the danger of removing all incentive



to the production of better qualities of wheat. Small consideration could be given to this proposal, because, if every producer received the same price for his wheat, irrespective of quality, the impulse towards good farming would receive a set-back.

### **Five Forms of Pools Discussed.**

Without going into further detail in the matter of pooling freights, pooling locations and pooling grades, we are of the opinion that the forms of pools which it is desirable to study more closely in the light of the comparison suggested in question two are as follows:

(a) The rigid contract pool; meaning that the producer signs a contract obligating himself to deliver to the pooling organisation the whole or a given percentage of his surplus crop for a stated period, but which contract does not become operative until contracts have been secured covering a fixed percentage of the total acreage within the pooling area. This form contemplates a single standardised channel of marketing the wheat delivered to the pool. That is to say, all the wheat will be pooled; there will be no alternatives, such as the choice to consign or sell on the street.

(b) A contract pool as at (a), with the single marketing channel as at (a), but where the contract is operative without any given percentage of acreage within the pooling area being first placed under contract.

(c) A contract pool, where the contract is operative without any given percentage within the pooling area being first covered by the contract, but where the pooling organisation provides optional marketing channels in addition to pooling, such as the right to consign or sell on street as at present. Such right, however, would only be operative within the pooling organisation; that is, it would not contemplate permission to the member of the pool to consign or sell on street to any other grain handling agency.

(d) A voluntary pool—meaning that the producer may deliver to the pooling organisation, without a contract, the whole or any portion of his wheat; such organisation to provide optional marketing channels in addition to pooling, such as the right to ship on consignment or sell on street within the pooling organisation as at (c).

(e) A voluntary pool, where the producer may deliver to the pooling organisation without a contract the whole or any portion of his wheat, but where there are no optional marketing channels at the disposal of the patron within the pooling organisation; all the wheat would be pooled.

### **Plan (a) Most Difficult.**

Of these five plans, which relate to enterprises short of complete national control, plan (a) would be the most difficult to put into effect, because of the human element involved. But, if successfully established, it would afford the greatest opportunity for a completely efficient pool. To be wholly successful, however, this form of organisation would contemplate the ultimate elimination of existing marketing facilities. It is reasonable therefore, to suppose that innumerable obstacles would have

to be overcome before such a far-reaching, revolutionary scheme could be firmly established. We would regard it as a jump into something which, having regard to the present disorganised world conditions in the trade, would render all the more difficult of reconstruction the present system of marketing, should, by force of circumstances, this method fail.

Plan (a) would approach more nearly the conditions of full control. In making that statement there is implied the assumption that the less rigid proposals, *i.e.* (b), (c), (d) and (e) would not be patronised by producers up to the minimum set for plan (a), although, in theory, there is nothing to prevent any of them being patronised by all of the producers. In practice, however, such unanimity is hardly to be anticipated—much as it may be desired. But the larger the percentage of producers who patronised the pool, the more efficient would be the results. With regard to the rigid plan (a), the percentage of acreage required to be placed under contract (say sixty to seventy-five per cent.) might prove to be an insurmountable barrier to its successful formation.

### **Plans (b) and (c) Also Difficult.**

Under the plan suggested at (b) it would be impossible to determine beforehand, with an approximate degree of accuracy, the amount of wheat that would be handled during a specified period. And to the extent that its percentage of patronage was low, it might become much more difficult of operation with the same relative degree of success that would be attained under plan (a) (*i.e.* assuming plan (a) could be successfully launched and put into effect).

Similar remarks apply to plan (c). This plan is slightly different, however, in that it provides for optional consigning of wheat, and optional selling on street in addition to “pooling.” These optional features might make it more attractive, and thus increase its percentage of patronage.

Plans (a), (b) and (c) all involve a compulsory delivery contract as between the producer and the handling agency.

### **Plan (d) Involves No Commitments.**

In plan (d), the basis upon which delivery of the wheat is taken, corresponds with plan (c), except that no delivery contract is involved. But the option features are there, enabling the producer either to pool, consign or sell on street. The absence of a contract for delivery would attract those who, while not desiring to obligate themselves under a contract for a specified period, would be sympathetically inclined towards this new marketing agency, and would be willing to give it a limited patronage. It involves no commitments for anyone. All are free to patronise it or go elsewhere; in fact the farmer is at liberty to determine his own course.

### **Plan (e) the Simplest Form.**

Plan (e) is the simplest form of pooling agency. There are no optional features, all the wheat would be pooled. There is no contract. Producers are free to patronise the organisation for pooling purposes, or to use any other available channels through which to consign or sell on street as at present.

The success, or failure, of any form of pool, with or without optional features, such as handling consignments or purchasing on street, depends entirely upon the degree of support to be given by producers. But it is perhaps worth mentioning that, assuming a voluntary pool or a non-minimum contract pool were successfully operated with a comparatively limited patronage, the existence of such an organisation might be able to exercise sufficient regulative influence over trade practices to reduce to a minimum any disadvantages which the present system may have developed. That is to say, it might increase the tendency on the part of the trade, which exists even now in a measurable degree, to regard the farmer in the light of a partner in a mutual enterprise. Furthermore, while the amount of wheat to be pooled would be definite under certain forms of pooling organisations, the voluntary pool would afford an opportunity to observe the true popularity of such a scheme.

### **No Pool Successful Without Efficient Service.**

It might also be observed that no pool, not even one with contracts covering all of the crop, can be permanently successful without good and efficient service. Good management, which would bring voluntary contributions of business without a contract, would have a better chance of final success than a full quota of contracts with careless and inefficient conduct of the enterprise. The slogan of the management must be "efficient service." That is the one indispensable factor.

### **Advantages of Pooling Systems.**

Other things being equal, pooling systems have the following advantages over the present system of marketing:

(1). Statistics show that under the present system seventy to seventy-five per cent. of the crop is thrown on the market during a period of three months. Under a pool, with proper financial and other support, the movement of the crop would be more evenly spread over the whole crop year, thereby undoubtedly avoiding gluts of grain, and consequent depression of prices, which usually occur during the first three months of the crop movement.

(2). The more evenly regulated movement would stabilise prices to the consumer, as well as in favour of the producer, inasmuch as whilst, when the big movement of the crop is in progress, prices to consumers are usually low, this relatively low price continues only for three or four months.

(3). The price of flour to consumers bears a direct relationship to the prevailing price of wheat, but flour prices invariably do not follow day to day fluctuations in the wheat market. Three-quarters of the farmers' wheat is marketed during a period of three months, at the beginning of the season, when the price of wheat usually is depressed. During the remaining nine months the tendency has always been for the price of wheat to ascend to higher levels, with the result that the producer only gets the benefit of the prevailing higher prices for the remaining quarter of his season's crop. The consumer, on the other hand, pays for his flour on the basis of current prices for wheat. Therefore, if as a rule the wheat market inclines to low levels during three months of the year, and to high levels during nine months of the year, because the bulk of the

producers' wheat comes on the market in the shorter period, it would be to the advantage of the consumer, as well as the producer, if the delivery of that wheat crop could be more evenly spread over the entire twelve months. If this could be done, fluctuations in prices would be lessened, and it is a well recognised fact that fluctuations in prices are detrimental either to the producer or consumer.

### **Favour Voluntary Patronage.**

Provided all conditions could be approximately ascertained, and could be met, there would be no objection to contracts. Even were they met, and both parties were perfectly satisfied at the outset, a period of, say, five years' time might change their views, and the terms of the contract be then considered onerous by either or both of the parties. The fact that the parties concerned were obligated under a contract that had become onerous would tend to create indifference; thus aggravating the unsatisfactory conditions with more or less disastrous results. Under these conditions an atmosphere conducive to the growth of imaginary grievances on either side might be created, so that in much less than five years, the contract, instead of continuing to be popular, might become positively distasteful. We certainly favour voluntary patronage rather than the compulsory delivery contract.

But if a pronounced majority of the farmers of the three Western Provinces should express a desire for the formation of a contract pool, the Legislature could, in case there was any difficulty in handling or financing, lend assistance in the matter of furnishing facilities, and also in the matter of jointly with other Provinces, guaranteeing operating accounts.

*Question 3.—Are such advantages, if any, sufficiently certain to justify producers entering into long-term pooling contracts?*

*Answer.*—It is our opinion that producers would do well to consider fully the obligations devolving upon them before entering into contracts covering a period of years. Our reason for this statement is not based on a criticism of the contract idea as one of the methods of operation. If we were dealing with fixed conditions there would be fewer objections to a contract. The production and marketing of wheat are accompanied by human impulses, the strength and trend of which during a period of five years cannot, in our opinion, be anticipated and definitely provided for in a specific contract. Conditions might arise under which either party to the contract would find the provisions thereof onerous, to say the least. This, in turn, would bring into play psychological influences which might easily be sufficient to precipitate the failure of the scheme. In other words, a binding contract for several years during a transition period, and applying to so complicated a matter as wheat marketing, appears to us to be one of the least desirable of steps to be taken with a view to improving marketing conditions. There is nothing that a producer would be required to do *under a contract* that he cannot do of his own free will. It is more to the producers' interests that they should realise this fact, than that they should sign a contract only to learn that it was a barrier to their real aim. After all it is not the contract that matters; it is the wheat. Freedom for the farmer, and his good-will are the essential considerations at all times. He may, without a contract, deliver all of his wheat to the pooling organisation. It is more important from the point of view of self-interest—individually

and collectively—that farmers should realise that if there be any virtue in pooling they ought to market their wheat through that organisation as a necessary duty, contributing to their self-interest, rather than as a “party of the second part,” under a legal contract. There is no reason to assume that farmers are lacking in the necessary cohesive qualities.

We would consider that we were assuming grave responsibilities were we to recommend such contracts to producers.

*Question 4.—To what extent would such long-term contracts provide a safe selling basis for the pool prior to the actual delivery of the wheat?*

*Answer.*—The degree of safety in selling for future delivery would depend largely upon the terms of the contract, as they relate to the actual time of delivery by the producer. In the first place information could be filed at the office of the pooling organisation, bearing upon the probable volume of wheat which would be harvested each season. The farmers involved in the pooling arrangement would give accurate information each season as to the acreage sown in wheat. Later in the season information would be given as to the prospective yield from harvesting operations. The management of the pool would be closely in touch at all times with crop conditions in the country, so that the probable volume of wheat available from the acreage represented in the contracts held by the pool would be known with a fair degree of accuracy. It would be safe to assume that seventy-five per cent. of the available amount would come forward without difficulty. It would be necessary to calculate upon twenty-five per cent. not coming forward, owing to obstruction by such unforeseen factors as weather conditions and congestion on railways. This remaining twenty-five per cent. of the available crop, therefore, could not be sold in advance. Assuming then that a period as to time of delivery were a part of the contract, it is reasonable to assume that at least seventy-five per cent. of the wheat represented in the contracts would be delivered, and to this extent, if the management of the pooling organisation deemed it advisable, contracts for advance sale could be safely made. The same degree of experience in the grain trade, and knowledge of current crop conditions, which characterise the operations of every department of the trade, would be essential to the efficient handling of the crop under a pooling arrangement.

*Question 5.—How could a long-term contract pool, operating over the whole of the West be sure of sufficient financial backing to enable it to hold enough wheat off the market in times of glut to ensure reasonable stabilisation of prices?*

*Answer.*—We are not apprehensive that insurmountable difficulties would present themselves in the matter of financing. Undoubtedly occasions would arise, when, in the opinion of the management of the pool, it would be advisable to withhold from the market considerable quantities of wheat, in which event a large amount of money would be involved, necessitating special financial arrangements. The success of the scheme under these conditions would depend upon the attitude of the bank or banks financing such organisation. Curtailment of finances at such periods might mean the difference between success and failure. It is assumed that the management of the pool would ascertain from the bank or banks in advance what attitude these institutions would be likely to take in the matter. This is dealt with further under question eight.

*Question 6.—Would it be wise from the producers' point of view to embark on a full-scale system of long-term contract pooling at once, or to conduct instead one or more large-scale experiments of a voluntary character?*

Answer.—We would regard it as much safer procedure, if it be decided to adopt a pooling system, to conduct an experiment of a voluntary character in preference to embarking on a full scale system of long term contracts. In view of our answer to question two we do not think any further reply is necessary.

*Question 7.—If your answer to Question six is favourable to a full-scale system of long-term contract pooling operating over the whole West, can you recommend the best means of co-operation on the part of the Government of the Province in order to attain the best results for the producers, always having regard to our constitutional limitations?*

Answer.—Our answer to question number six being unfavourable to a full scale system of long term contracts, this question does not require a reply other than a reference to number six.

*Question 8.—If your answer to Question six is favourable to large-scale experiments of a voluntary character, can you recommend the form such experiment should take in this Province, the principles on which it should operate, the general scheme of operation, and also what assistance, if any, is required from the Government of Saskatchewan, either by way of legislation or finance?*

Answer.—If a sufficiently widespread demand on the part of the farmers of the province for voluntary pooling on a large scale existed, and providing the Government was desirous of acceding to that demand, the form of organisation which we would suggest for such experiment would be one specially created for the purpose, and so constituted and conducted that it would be directly responsible to the farmers patronising it. The principles upon which it would operate, and the general scheme of operation are given below.

If, on the other hand, it were not certain that voluntary pooling would receive wide support from the farmers at the commencement of the pool, an experiment on a reduced scale could still be conducted in connection with one of the farmers' companies. The principles upon which it would operate, and the general methods of operation, would be the same as for the large scale experiment.

### **General Principles Voluntary Pool.**

The general principles of a voluntary pool involve centralised selling, initial advances, and equal distribution of proceeds of sales according to grade.

The plan of operation would be plan (e) dealt with in question number two. There would be no contract, except in so far as a contract is implied in the control of the wheat passing to the management of the organisation after delivery thereto. That is to say, it would not be subject to diversion to other channels: the pooling organisation would have complete control over it after receipt of documents—such as bills of lading or storage tickets representing the wheat. Arrangements would be made for taking delivery of less than carload lots by means of storage tickets, and for carload lots by consignment. This would apply to wheat handled by any licensed elevator, and might also



include cars shipped over the platform. On receipt of bills of lading covering consignments, or of storage tickets covering less than carlots, a uniform advance would be made, basis One Northern in store Fort William. Under this system *The Canada Grain Act* as at present would render all country elevators and terminal facilities available for the purpose of the scheme. This system would be available to farmers at every shipping point whether a country elevator was located there or not.

### **Financing a Pooling Arrangement.**

With regard to financing, a pooling arrangement should be an attractive proposition to the banks. In view of the fact that the initial advance would be only a conservative percentage of the value of the wheat pooled, it might reasonably be expected that the banks would favourably consider financing the scheme on its own merits, this being in effect what they severally do now through advances given their clients, the grain companies. If, however, satisfactory arrangements could not be made with banks, the Government might assist by guaranteeing the necessary credits to make the scheme operative at all times. Periods would likely occur, when, in the opinion of the management of the pool, it would be advisable to withhold supplies from the market. At such times credit might be curtailed, and assistance from the Government would, in that event, obviate the necessity of making forced sales at prices which might be regarded by the management as unduly low. In such circumstances the Government no doubt could assist by arranging for an extension of credit. Once delivery of the wheat at terminals commenced, a certain percentage of the wheat, of course, would be converted into cash from time to time, and to that extent necessity for credit would be relieved.

### **How Legislature Could Assist**

The Legislature of Saskatchewan could assist in the matter of legislation by passing such measures as would enable either organisation above described to be created. It would also be essential that such organisation should have the power, if and when necessary, to purchase and sell wheat other than that pooled. This should not become a general practice, but occasions would occur when the management of the pool might overestimate the quantity of any particular grade which they had contracted for delivery within a specified period. In order to comply with the terms of such contract, therefore, it would probably find itself compelled to go into the open market and purchase the balance required to complete same.

The advantages of the proposal we have dealt with in this answer are that the adoption of it provides a further marketing agency, and one which can be operated with the least disturbance of existing facilities, and which does not involve the farmer in the complications, present or future, that might attach to a contract pool. As previously pointed out the rest depends upon patronage and service.

### **Conclusions.**

Summarising our views of the eight questions which have been presented to us for our opinion, we should like to conclude with the plea that we have endeavoured, so to speak, to sail a consistent course over

an entirely uncharted sea. With the possible exception of question one, which enabled us to give our answer out of our experience as members of the Canadian Wheat Board, the entire questionnaire relates to a field of marketing experiment in which there are no precedents to help us. Our conclusions upon all of the questions following number one, therefore, are based upon a conscientious regard for the different aspects of the grain industry in Western Canada as they appeal to us.

In the first place, we believe that the most perfect form of a centralised wheat marketing agency, at the present time, can be created only under the control of a national organisation. And, secondly, we believe that in considering any form of wheat marketing pool, involving less than complete national control, one based upon voluntary co-operative effort on the part of the producer is preferable to one bound by the provisions of a legal contract.

All of which is respectfully submitted.

(Signed) JAMES STEWART,  
F. W. RIDDELL.

### APPENDIX No. 1.

Statement showing total quantities in bushels, and percentages, of wheat marketed at country points in the West during the first three months and last nine months, separately, of crop season:

Season	1917-18	%	1918-19	%	1919-20	%
September .....	39,059,616	24.7	24,779,096	19.8	31,672,837	27.
October .....	46,046,835	29.2	44,449,006	35.4	39,012,504	33.4
November .....	33,869,440	21.5	28,040,792	22.4	16,919,863	14.5
Total for 3 months..	118,975,891	75.4	97,268,894	77.6	87,605,204	74.9
December .....	12,893,575	8.2	12,200,787	9.7	8,292,952	7.1
January .....	6,882,912	4.3	4,791,281	3.8	6,016,373	5.2
February .....	5,684,039	3.6	2,882,387	2.3	4,199,532	3.6
March .....	4,704,992	3.	1,774,277	1.4	3,041,705	2.6
April .....	2,029,236	1.3	1,021,373	.8	1,640,684	1.4
May .....	3,833,904	2.4	1,777,732	1.4	920,109	.8
June .....	2,435,252	1.5	1,880,579	1.5	3,369,388	2.9
July .....	259,502	.2	703,025	.6	1,092,262	.9
August .....	171,868	.1	1,121,868	.9	696,204	.6
Total for year .....	157,871,171	100	125,422,203	100.	116,874,413	100.

NOTE.—Similar information for previous seasons not available.

### APPENDIX No. 2.

Statement showing average daily cash prices One Northern in store Fort William or Port Arthur (a) September to December, inclusive, in separate months; (b) four months September to December, inclusive; (c) eight months January to August inclusive; (d) twelve months, September to August, inclusive:

Season	1910-11	1911-12	1912-13	1913-14	1914-15	1915-16	1916-17
(a)—Sept. ....	103¼	100½	93¾	86	112¾	94¼	160
Oct. ....	96¾	99¾	90½	80¾	113	96¾	173
Nov. ....	92	98½	83¼	83¼	118¾	103	194
Dec. ....	90¼	94¾	80¾	83¾	119¾	110¼	176
(b)—Sept. to Dec ...	95¾	98¼	86¾	83¼	116	101	175¾
(c)—Jan. to Aug. ..	94	102¾	90¼	92¼	141¼	119¾	220
(d)—Sept. to Aug. .	94½	101	89¼	89½	132¾	113½	205¼

NOTE.—Seasons 1917-18, 1918-19, and 1919-20, markets closed.











